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Interview: Rep. Brad Miller on Foreclosure Forbearance
By Luke Mullins

I caught up with Rep. Brad Miller, who—along with a handful of other Democrats—is urging the mortgage industry to delay certain foreclosures until the FHA's "Help for Homeowners" gets going. The program is a key component of the new housing legislation and is intended to help struggling barrowers stay in their homes.

Here's the interview with the North Carolina Democrat:

1. **Could you please explain what you are asking the mortgage industry to do in terms of foreclosures?**

We're asking them to hold off on foreclosing on homeowners who may be eligible for refinancing under the new FHA "Help for Homeowners" program, at least until the program is up and running on October 1. We're also asking pointed questions about whether they're really going to use the program and what they're doing to be ready to start using the program as soon as possible.

2. **Why are you asking them to do that?**

We're partly asking to get their attention, to let them know we're serious about the mortgage industry taking responsibility for the mess they've made.

Critics say the mortgage industry has done precious little to help homeowners, but the mortgage industry claims that they're voluntarily modifying mortgages like crazy to help strapped homeowners keep their homes, and the industry has successfully fought off legislation to give real, enforceable rights to homeowners with bad mortgages.

The mortgage industry supported the "Help for Homeowners" legislation and said it would be a real help. Why would they foreclose on homeowners who would be eligible for the program in just a couple of months? Are they serious about using the program, or are they just stalling to keep Congress from passing tougher legislation?

3. **Which companies have you been in contact with?**

The letter went to the following:

1. Mr. Kenneth D. Lewis, chairman, chief executive officer and president, Bank of America
2. Mr. Martin Lifshutz, chief executive officer, Ameriquest
3. Mr. Larry Litton, president, Litton Loan Servicing
4. Mr. Thomas Marano, chairman and chief executive officer, Residential Capital LLC
5. Mr. George Miller, executive director, American Securitization Forum
6. Mr. Daniel H. Mudd, president and chief executive officer, Fannie Mae
7. Mr. Charles Prince, chief executive officer, Citigroup
8. Mr. John Stumpf, president and chief executive officer, Wells Fargo & Co.
9. Mr. Richard F. Syron, chairman and chief executive officer, Freddie Mac
10. Mr. Edward Yingling, president and chief executive officer, American Bankers Association

11. **Have you gotten any responses?**

Not yet.

12. **Are you confident that they will comply with what you are asking them to do?**

The mortgage industry has yet to do the right thing, either in the lending practices that created the crisis or in how they've dealt with homeowners in bad mortgages. On the other hand, the chairman of the [House] Financial Services Committee, Barney Frank, said publicly that there would be serious consequences if the mortgage industry didn't do more to modify mortgages to help families keep their homes.

13. **How significant of an impact will this foreclosure moratorium have?**

If the mortgage industry is serious about using the "Help for Homeowners" program, they should be willing to hold off foreclosures for a couple of months. It they're not, it helps for Congress to know that now, so we can start work on some serious consequences.

14. **How significant will the housing legislation be in terms of preventing foreclosures?**

The mortgage industry's response to our letter should give us some idea. The legislation was realistically all we could get passed and signed into law with the current membership of the Senate and the current president. But there's an election in November, and the foreclosure crisis is only going to get worse.

The most optimistic projections are that the program will reduce foreclosures by 20 or 25 percent. Some skeptics say that the mortgage industry will only be willing to take a loss on mortgages they know the homeowner can't pay, and the legislation requires the FHA only to refinance where the homeowner can pay. We'll see.

15. **Are you at all concerned that the law might create a moral hazard by softening the consequences of financial decisions made by homeowners and lenders?**

The consequences of doing nothing are dire. Homeowners in predatory mortgages will lose their homes to foreclosure and fall out of the middle class and into poverty, probably forever. Homeowners who are faithfully paying their mortgages will suffer the collapse of the value of their home as a result of foreclosures in their neighborhood, and their home equity is the bulk of the life's savings of most middle-class homeowners. And working and middle-class neighborhoods will become blighted because of vacant, neglected homes that have been foreclosed.

Congress gave the Federal Reserve Board the responsibility to regulate mortgage lending practices in 1994. After neglecting their regulatory responsibilities for almost 14 years, they've just adopted rules that would have prevented this mess. The mortgage industry should count on less indulgence for their lending practices in the future.